



PricewaterhouseCoopers LLP  
Three Embarcadero Center  
San Francisco CA 94111  
Direct phone (415) 498-5636  
Direct fax (813) 329-8798

to: **Janette Casillas** date: **October 18, 2010**  
from: **Pete Davidson** subject: **2011 MRMIP Premiums**

As you requested, we have reviewed the 2011 Major Risk Medical Insurance Program (MRMIP) premium rate proposals submitted by the participating health plans. The comparison of 2010 and 2011 rates is shown in the attached exhibit.

### **Background**

The legislation that governs premium rate development for MRMIP requires that the rates be set at 125% of the premium that would be offered to a standard insurable individual for a benefit plan matching the MRMIP benefit design. Historically, participating MRMIP health plans were directed to apply actuarial adjustments to the Individual benefit plan most similar to the MRMIP benefit to produce premiums reflective of what would be charged to an average subscriber in the Individual market for the MRMIP benefit plan. The premium charged to MRMIP participants is 125% of this amount. However, plan designs comparable to MRMIP generally do not exist in the Individual market, particularly due to MRMIP's low benefit limits. Further, plans with relatively low front-end deductibles, such as the plan offered by MRMIP, often attract a population with adverse risk characteristics. Additional health care costs due to adverse risk selection may be reflected in the Individual premium rates for lower deductible plans, which could result in MRMIP rates representing a worse than average risk mix if those plans are used as the basis for MRMIP rate development.

For the 2011 MRMIP premium development, plans were directed to select a base Individual plan (or plans) that reflect a standard average risk profile and to provide a demonstration that the rates for the selected plan(s) reflect a standard average insured risk. We reviewed the rate submissions and supporting documentation prepared by the health plans, and had discussions with the plans to walk through the process and procedures used to determine the actuarial adjustments to convert the Individual base plan premiums to MRMIP plan premiums. We have confirmed to the extent practical that the 2011 rates offered for this program reflect the premium changes anticipated by the health plans in 2011 for non-MRMIP enrollees, reasonable adjustments for benefit differences between their selected base Individual plans and the MRMIP plan, and rate levels charged to standard risk individuals.

### **Summary of Proposed 2011 MRMIP Rates**

Based on Chapter 792 Statutes of 1997 calculations performed by MRMIB staff, all plans will receive 125% of standard individual premiums in 2011, as was the case in 2010. Based on the MRMIP enrollment distribution by age, tier, and region, the average 2011 rate increase across all plans is approximately 10.7%; the average increase in 2010 was approximately 10.5%.

The average premium rate changes by carrier can be summarized as follows:

- Anthem Blue Cross' average rate changes are as follows: 11.3% increase for Single Subscribers, 17.8% increase for Subscriber+1, and 18.8% increase for Subscriber+2, with a composite increase of 11.7%. There are significant variations in the level of rate change by region, coverage tier, and age. The largest rate increase for Single Subscribers occurs in Region 3 where the composite increase is approximately 12.7%, whereas the smallest average rate increase of 9.3% occurs in Region 4.
- The Kaiser North rates increase an average of 7.8% for Single Subscribers. Kaiser North rates do not vary by region. Rate changes are generally consistent across tiers and within ages 15 to 64. For Single Subscribers aged 15-64, the rate increases 7.7%, while those aged 65 and over will experience increases of 12.7%.
- The Kaiser South rates increase an average of 11.0% for Single Subscribers. Kaiser South rates do not vary by region. Rate changes are generally consistent across tiers and within ages 15 to 64. For Single Subscribers aged 15-64, the rate increases 10.9%, while those aged 65 and over will experience increases of 15.9%.
- Contra Costa Health Plan (CCHP) has a rate increase of 10.0%. The increases are uniform across age bands and tiers.

Please call me at 415-498-5636 if you have any questions regarding our review.

## Area 1

**Counties:** Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humbolt, Inyo, Kings, Lake, Lassen, Mendocino, Modoc, Mono, Monterey, Nevada, Placer, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter,

Rating Group	Age	Anthem	KPNC
Subscriber Only	<15	\$334.50	\$260.41
	15-29	\$485.30	\$328.76
	30-34	\$615.50	\$388.48
	35-39	\$691.40	\$417.14
	40-44	\$741.40	\$468.08
	45-49	\$789.70	\$514.28
	50-54	\$985.80	\$593.88
	55-59	\$1,166.20	\$679.84
	60-64	\$1,421.30	\$753.08
	65-69	\$1,591.90	\$1,201.93
	70-74	\$1,677.10	\$1,268.85
	>74	\$1,776.60	\$1,346.18
Subscriber & 1 Dependent	<15	\$637.00	\$520.83
	15-29	\$973.60	\$694.18
	30-34	\$1,119.10	\$789.70
	35-39	\$1,221.20	\$870.89
	40-44	\$1,357.20	\$955.28
	45-49	\$1,551.80	\$1,001.46
	50-54	\$1,849.10	\$1,194.10
	55-59	\$2,192.30	\$1,323.08
	60-64	\$2,515.70	\$1,506.18
	65-69	\$2,817.50	\$2,131.56
	70-74	\$2,968.40	\$2,249.01
	>74	\$3,144.60	\$2,378.53
Subscriber & 2 or More Dependent	<15	\$889.20	\$900.64
	15-29	\$1,437.20	\$1,136.78
	30-34	\$1,711.00	\$1,375.60
	35-39	\$1,846.70	\$1,375.60
	40-44	\$1,889.70	\$1,396.30
	45-49	\$2,106.80	\$1,396.30
	50-54	\$2,386.00	\$1,544.38
	55-59	\$2,680.70	\$1,544.38
	60-64	\$3,046.90	\$1,744.99
	65-69	\$3,412.60	\$2,769.80
	70-74	\$3,595.40	\$2,928.08
	>74	\$3,808.70	\$3,097.71

**Area 2**

**Counties:** Fresno, Imperial, Kern, Madera, Mariposa, Merced, Napa, Sacramento, San Joaquin, San Luis Obispo, Santa Cruz, Solano, Sonoma, Stanislaus.

Rating Group	Age	Anthem	KPNC
Subscriber Only	<15	\$318.80	\$260.41
	15-29	\$467.00	\$328.76
	30-34	\$586.80	\$388.48
	35-39	\$658.90	\$417.14
	40-44	\$712.60	\$468.08
	45-49	\$752.90	\$514.28
	50-54	\$939.40	\$593.88
	55-59	\$1,111.40	\$679.84
	60-64	\$1,357.10	\$753.08
	65-69	\$1,519.90	\$1,201.93
	70-74	\$1,601.30	\$1,268.85
	>74	\$1,696.30	\$1,346.18
Subscriber & 1 Dependent	<15	\$624.80	\$520.83
	15-29	\$938.80	\$694.18
	30-34	\$1,066.80	\$789.70
	35-39	\$1,164.20	\$870.89
	40-44	\$1,293.90	\$955.28
	45-49	\$1,506.80	\$1,001.46
	50-54	\$1,800.40	\$1,194.10
	55-59	\$2,138.00	\$1,323.08
	60-64	\$2,434.30	\$1,506.18
	65-69	\$2,726.50	\$2,131.56
	70-74	\$2,872.60	\$2,249.01
	>74	\$3,043.00	\$2,378.53
Subscriber & 2 or More Dependent	<15	\$862.40	\$900.64
	15-29	\$1,369.60	\$1,136.78
	30-34	\$1,630.20	\$1,375.60
	35-39	\$1,759.50	\$1,375.60
	40-44	\$1,800.40	\$1,396.30
	45-49	\$2,020.40	\$1,396.30
	50-54	\$2,296.10	\$1,544.38
	55-59	\$2,579.90	\$1,544.38
	60-64	\$2,932.30	\$1,744.99
	65-69	\$3,284.30	\$2,769.80
	70-74	\$3,460.20	\$2,928.08
	>74	\$3,665.40	\$3,097.71

### Area 3

**Counties:** Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara.

Rating Group	Age	Anthem	CC	KPNC
Subscriber Only	<15	\$354.40	\$241.81	\$260.41
	15-29	\$505.50	\$307.54	\$328.76
	30-34	\$652.00	\$446.81	\$388.48
	35-39	\$732.30	\$446.81	\$417.14
	40-44	\$785.10	\$514.68	\$468.08
	45-49	\$836.40	\$514.68	\$514.28
	50-54	\$1,044.40	\$687.19	\$593.88
	55-59	\$1,235.80	\$687.19	\$679.84
	60-64	\$1,480.40	\$868.18	\$753.08
	65-69	\$1,658.20	\$1,165.12	\$1,201.93
	70-74	\$1,747.00	\$1,165.12	\$1,268.85
	>74	\$1,850.50	\$1,165.12	\$1,346.18
Subscriber & 1 Dependent	<15	\$624.40	\$596.70	\$520.83
	15-29	\$1,002.50	\$596.70	\$694.18
	30-34	\$1,185.30	\$791.82	\$789.70
	35-39	\$1,278.00	\$791.82	\$870.89
	40-44	\$1,397.00	\$978.45	\$955.28
	45-49	\$1,516.00	\$978.45	\$1,001.46
	50-54	\$1,793.00	\$1,340.47	\$1,194.10
	55-59	\$2,140.40	\$1,340.47	\$1,323.08
	60-64	\$2,464.20	\$1,730.74	\$1,506.18
	65-69	\$2,759.90	\$2,270.86	\$2,131.56
	70-74	\$2,907.70	\$2,270.86	\$2,249.01
	>74	\$3,080.20	\$2,270.86	\$2,378.53
Subscriber & 2 or More Dependent	<15	\$859.70	\$1,100.08	\$900.64
	15-29	\$1,522.90	\$1,100.08	\$1,136.78
	30-34	\$1,715.80	\$1,216.02	\$1,375.60
	35-39	\$1,850.80	\$1,216.02	\$1,375.60
	40-44	\$1,986.40	\$1,447.93	\$1,396.30
	45-49	\$2,170.80	\$1,447.93	\$1,396.30
	50-54	\$2,449.70	\$1,657.19	\$1,544.38
	55-59	\$2,792.20	\$1,657.19	\$1,544.38
	60-64	\$3,174.00	\$2,010.69	\$1,744.99
	65-69	\$3,554.90	\$2,692.23	\$2,769.80
	70-74	\$3,745.30	\$2,692.23	\$2,928.08
	>74	\$3,967.60	\$2,692.23	\$3,097.71

#### Area 4

Counties: Orange, Santa Barbara, Ventura.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$309.30	\$239.20
	15-29	\$456.90	\$307.19
	30-34	\$570.00	\$362.85
	35-39	\$634.50	\$390.26
	40-44	\$697.00	\$438.63
	45-49	\$733.30	\$480.58
	50-54	\$904.40	\$554.76
	55-59	\$1,069.80	\$635.38
	60-64	\$1,306.10	\$704.73
	65-69	\$1,462.90	\$1,151.48
	70-74	\$1,541.20	\$1,213.59
	>74	\$1,632.70	\$1,285.70
Subscriber & 1 Dependent	<15	\$598.20	\$478.41
	15-29	\$918.30	\$648.28
	30-34	\$1,061.60	\$736.99
	35-39	\$1,126.60	\$814.39
	40-44	\$1,246.00	\$893.41
	45-49	\$1,495.40	\$935.33
	50-54	\$1,830.70	\$1,115.96
	55-59	\$2,167.70	\$1,236.91
	60-64	\$2,311.90	\$1,407.84
	65-69	\$2,589.20	\$2,048.74
	70-74	\$2,728.00	\$2,161.28
	>74	\$2,889.80	\$2,297.00
Subscriber & 2 or More Dependent	<15	\$901.90	\$829.16
	15-29	\$1,318.40	\$1,151.44
	30-34	\$1,569.10	\$1,285.28
	35-39	\$1,693.30	\$1,285.28
	40-44	\$1,732.70	\$1,306.24
	45-49	\$1,944.30	\$1,306.24
	50-54	\$2,236.40	\$1,443.33
	55-59	\$2,523.60	\$1,443.33
	60-64	\$2,868.20	\$1,632.01
	65-69	\$3,212.40	\$2,594.70
	70-74	\$3,384.60	\$2,738.09
	>74	\$3,585.40	\$2,909.73

## Area 5

Counties: Los Angeles.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$337.70	\$239.20
	15-29	\$486.40	\$307.19
	30-34	\$621.30	\$362.85
	35-39	\$697.70	\$390.26
	40-44	\$748.20	\$438.63
	45-49	\$797.10	\$480.58
	50-54	\$994.80	\$554.76
	55-59	\$1,177.30	\$635.38
	60-64	\$1,424.40	\$704.73
	65-69	\$1,595.30	\$1,151.48
	70-74	\$1,680.70	\$1,213.59
	>74	\$1,780.40	\$1,285.70
Subscriber & 1 Dependent	<15	\$602.20	\$478.41
	15-29	\$976.50	\$648.28
	30-34	\$1,129.50	\$736.99
	35-39	\$1,232.70	\$814.39
	40-44	\$1,369.80	\$893.41
	45-49	\$1,556.90	\$935.33
	50-54	\$1,820.90	\$1,115.96
	55-59	\$2,161.30	\$1,236.91
	60-64	\$2,390.90	\$1,407.84
	65-69	\$2,677.80	\$2,048.74
	70-74	\$2,821.20	\$2,161.28
	>74	\$2,988.60	\$2,297.00
Subscriber & 2 or More Dependent	<15	\$938.80	\$829.16
	15-29	\$1,450.80	\$1,151.44
	30-34	\$1,695.70	\$1,285.28
	35-39	\$1,815.40	\$1,285.28
	40-44	\$1,907.60	\$1,306.24
	45-49	\$2,111.60	\$1,306.24
	50-54	\$2,391.20	\$1,443.33
	55-59	\$2,687.00	\$1,443.33
	60-64	\$3,054.10	\$1,632.01
	65-69	\$3,420.60	\$2,594.70
	70-74	\$3,603.80	\$2,738.09
	>74	\$3,817.70	\$2,909.73

## Area 6

Counties: Riverside, San Bernardino, San Diego.

Rating Group	Age	Anthem	KPSC
Subscriber Only	<15	\$313.30	\$239.20
	15-29	\$462.40	\$307.19
	30-34	\$576.90	\$362.85
	35-39	\$647.60	\$390.26
	40-44	\$705.40	\$438.63
	45-49	\$742.20	\$480.58
	50-54	\$923.20	\$554.76
	55-59	\$1,092.00	\$635.38
	60-64	\$1,333.40	\$704.73
	65-69	\$1,493.40	\$1,151.48
	70-74	\$1,573.40	\$1,213.59
	>74	\$1,666.70	\$1,285.70
Subscriber & 1 Dependent	<15	\$572.40	\$478.41
	15-29	\$897.80	\$648.28
	30-34	\$1,048.40	\$736.99
	35-39	\$1,144.20	\$814.39
	40-44	\$1,271.50	\$893.41
	45-49	\$1,425.60	\$935.33
	50-54	\$1,680.50	\$1,115.96
	55-59	\$1,958.80	\$1,236.91
	60-64	\$2,241.70	\$1,407.84
	65-69	\$2,510.80	\$2,048.74
	70-74	\$2,645.30	\$2,161.28
	>74	\$2,802.20	\$2,297.00
Subscriber & 2 or More Dependent	<15	\$825.70	\$829.16
	15-29	\$1,345.70	\$1,151.44
	30-34	\$1,589.30	\$1,285.28
	35-39	\$1,686.70	\$1,285.28
	40-44	\$1,768.80	\$1,306.24
	45-49	\$1,985.00	\$1,306.24
	50-54	\$2,213.30	\$1,443.33
	55-59	\$2,528.90	\$1,443.33
	60-64	\$2,892.80	\$1,632.01
	65-69	\$3,240.00	\$2,594.70
	70-74	\$3,413.50	\$2,738.09
	>74	\$3,616.10	\$2,909.73



**MAJOR RISK MEDICAL INSURANCE PROGRAM  
SUBSCRIBER CONTRIBUTION ADJUSTMENT  
PER SB 661, CHAPTER 792, STATUTES OF 1997  
Calculation for 2011 Rates**

	2009 Loss Ratio	Program Average	Above Average State Subsidy	New Subscriber Contribution Percent <sup>3)</sup>
Anthem Blue Cross <sup>1)</sup>	143.95 %	123.65 %	16.41%	125.00 %
Contra Costa Health Plan <sup>2)</sup>	<123.65 %	123.65 %	No Increase	125.00 %
Kaiser - Northern Region	<123.65 %	123.65 %	No Increase	125.00 %
Kaiser - Southern Region	<123.65 %	123.65 %	No Increase	125.00 %

  

<b>SB 661 FORMULA FOR STATE SUBSIDY</b>				
	Subscriber Contract Totals <sup>4)</sup>	Subscriber Contributions	Claims/Admin/Risk Payments	Loss Ratio Percent (Including Admin & Profit)
Anthem Blue Cross	2,655 \$	21,314,301	\$	143.95 %
Kaiser - Northern Region	1,126	6,951,091	30,681,068	98.08 %
Kaiser - Southern Region	2,081	11,162,252	11,255,539	100.84 %
	\$	39,427,644	\$	
Program statewide average subsidy under SB 661 formula		123.65%		

**NOTES:**

- <sup>1)</sup> At least one health plan option must be available at the 125 percent level to MRMIP subscribers in all counties, based on Insurance Code Section 12737 (a), (1). Anthem Blue Cross is the only all-county, statewide plan and therefore will not receive an increase to the subscriber contribution rate.
- <sup>2)</sup> CCHP is exempt from the SB 661 Formula which calculates the program's statewide average because the statute excludes plans from this calculation that contain less than 1,000 subscribers. However, CCHP is included on this report since they are a participating plan in MRMIP.
- <sup>3)</sup> Based on Chapter 792, Statutes of 1997 (SB 661), the subscriber contribution increase can not exceed 10 percent above 125 percent of the standard average individual rate for comparable coverage.
- <sup>4)</sup> Contract totals are an average based on an a total annual count divided by 12. Refer to Insurance Code, Section 12737 (a).